Maoye International Holdings Limited
茂業國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 848)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

HIGHLIGHTS

- Total sales proceeds and rental income were RMB7,878.3 million, representing an increase of 1.3% compared to the corresponding period in the last year
- Same-store sales proceeds and rental income were RMB7,847.5 million, representing an increase of 1.0% compared to the corresponding period in the last year
- Total operating revenue was RMB3,802.5 million, representing an increase of 6.2% compared to the corresponding period in the last year
- The net profit was RMB509.2 million, representing a decrease of 15.7% compared to the corresponding period in the last year
- Without taking into account the effect of non-operating gains and losses, the net profit was RMB497.5 million, representing an increase of 330.2% compared to the corresponding period in the last year
- Basic earnings per share for the period was RMB7.4 cents, the Board does not recommend the payment of interim dividend for the six months ended 30 June 2018

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Maoye International Holdings Limited (the "**Company**") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2018.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
REVENUE	3.1	**2,972,662**	2,938,481
Other income	4	**829,789**	642,422
Total operating revenue		**3,802,451**	3,580,903
Cost of sales		**(957,164)**	(1,230,233)
Employee expenses		**(301,439)**	(294,512)
Depreciation and amortisation		**(408,664)**	(436,098)
Operating lease rental expenses		**(218,145)**	(209,035)
Other operating expenses		**(624,103)**	(621,013)
Other gains and losses		**15,589**	651,258
Operating profit		**1,308,525**	1,441,270
Finance costs	5	**(433,185)**	(452,438)
Share of profits and losses of associates		**11,711**	14,347
PROFIT BEFORE TAX		**887,051**	1,003,179
Income tax expense	6	**(377,858)**	(399,080)
PROFIT FOR THE PERIOD		**509,193**	604,099
Attributable to:			
Owners of the parent		**379,307**	535,999
Non-controlling interests		**129,886**	68,100
		509,193	604,099
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	7	**RMB7.4 cents**	RMB10.4 cents
Diluted		**RMB7.4 cents**	RMB10.4 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**509,193**	604,099
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Changes in fair value on available-for-sale equity investments	**—**	(95,366)
Income tax effect	**—**	23,842
	—	(71,524)
Exchange differences in translation of foreign operations	**174,230**	16,250
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Changes in fair value on equity instruments at fair value through other comprehensive income	**(198,061)**	—
Income tax effect	**49,516**	—
	(148,545)	—
Gains on property revaluation	**1,046,200**	—
Income tax effect	**(261,551)**	—
	784,649	—
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	**810,334**	(55,274)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**1,319,527**	548,825
Attributable to:		
Owners of the parent	**1,116,681**	480,905
Non-controlling interests	**202,846**	67,920
	1,319,527	548,825

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**10,334,310**	10,937,682
Investment properties	**14,726,976**	12,890,379
Land lease prepayments	**4,589,369**	4,813,295
Goodwill	**1,409,574**	1,409,574
Other intangible assets	**36,007**	39,594
Investments in associates	**1,851,856**	1,839,748
Investments in joint venture	**2,524**	921
Debt instruments at fair value through profit or loss	**11,980**	—
Equity instruments at fair value through other comprehensive income	**2,062,498**	—
Available-for-sale investments	**—**	2,937,478
Prepayments	**416,461**	357,358
Deferred tax assets	**591,639**	576,534
Total non-current assets	**36,033,194**	35,802,563
CURRENT ASSETS		
Inventories	**230,363**	236,103
Completed properties held for sale	**927,294**	922,108
Properties under development	**6,272,684**	5,886,069
Equity investments at fair value through profit or loss	**159**	212
Trade receivables	**7,652**	7,991
Prepayments and other receivables	**3,540,712**	3,209,654
Pledged deposits	**235,188**	310,322
Cash and cash equivalents	**1,562,627**	1,456,783
Total current assets	**12,776,679**	12,029,242

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 30 June 2018

	Note	**30 June 2018 (Unaudited)** *RMB'000*	31 December 2017 (Audited) *RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	8	**2,554,878**	2,953,491
Contract liabilities		**3,628,315**	—
Deposits received, accruals and other payables		**4,873,142**	7,583,674
Interest-bearing bank loans and other borrowings		**8,645,110**	8,721,632
Tax payable		**315,530**	336,676
Dividend payable		**433**	433
Total current liabilities		**20,017,408**	19,595,906
NET CURRENT LIABILITIES		**(7,240,729)**	(7,566,664)
TOTAL ASSETS LESS CURRENT LIABILITIES		**28,792,465**	28,235,899
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**10,294,269**	11,017,391
Deferred tax liabilities		**3,661,984**	3,416,085
Other long-term liability		**9,243**	6,117
Provision for retirement benefits		**8,133**	8,133
Total non-current liabilities		**13,973,629**	14,447,726
Net assets		**14,818,836**	13,788,173

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 30 June 2018

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**460,153**	460,153
Equity component of convertible bonds	**55,538**	55,538
Other reserves	**11,448,918**	10,556,491
	11,964,609	11,072,182
Non-controlling interests	**2,854,227**	2,715,991
Total equity	**14,818,836**	13,788,173

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 8 August 2007 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised). The Company's registered office address is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands and the head office and principal place of business of the Company is located at 38/F, Tower A, World Finance Centre, 4003 Shennan East Road, Shenzhen, the People's Republic of China (the "**PRC**"). The Group are principally engaged in the operation and management of department stores and property development in Mainland China.

In the opinion of the Directors, the immediate holding company and the ultimate holding company of the Company are Maoye Department Store Investment Limited and MOY International Holdings Limited, respectively, which were incorporated in the British Virgin Islands.

2.1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

As at 30 June 2018, the Group had net current liabilities of approximately RMB7,240,729,000. The Group's ability to repay its debts when they fall due relies heavily on its future operating cash flow and its ability to renew the bank loans and other borrowings.

In view of the above, the Directors have carefully assessed the Group's liquidity position having taken into account (i) the estimated operating cash inflows of the Group for the next twelve months from the end of the current reporting period; (ii) acquisition of the new bank loans and renew of bank loans within the next twelve months and the unutilized banking facilities; (iii) having taken into account that RMB3,628,315,000 and RMB568,097,000 of current liabilities as at 30 June 2018 are contract liabilities and deposits received in nature of which the Group will not be expecting any cash outflow.

On the basis of the above consideration, the Directors believe that the Group can satisfy its financial obligations in the foreseeable future and accordingly, the interim financial report has been prepared on a going concern basis.

2.2 IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018 noted below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In the period, the Group has applied, for the first time, the following new and amendments to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for the period.

IFRS 9	*Financial instruments*
IFRS 15	*Revenue from contracts with customers and related amendments*
IFRIC — Int 22	*Foreign currency transactions and advance consideration*
Amendments to IFRS 2	*Classification and measurement of share-based payment transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts*
Amendments to IAS 28	*Investments in associates and joint ventures clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice*
Amendments to IAS 40	*Transfers of investment property*
Annual Improvements 2014-2016 Cycle	*Amendments to IFRS 1*

Other than as further explained below, the directors do not anticipate that the application of the new and revised IFRSs above will have a material effect on the Group's consolidated financial statements and the disclosure.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

The Group mainly engages in the operation and management of department stores and property development in Mainland China. The effects of the adoption of IFRS 15 are further explained as follows:

(a) *Accounting for property development activities*

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

Under IFRS 15, the Group's contracts with customers for the sale of properties generally include one performance obligation and the Group has concluded that revenue from sale of properties should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery. Therefore, the adoption of IFRS15 did not have an impact on the timing of revenue recognition.

In prior reporting periods, proceeds received from customers for pre-sold properties were presented as advances received from pre-sale of properties and no interests were accrued on the advances received.

Under IFRS 15, for contracts where the period between the payments by the customer differs from the transfer of the promised goods or service, the transaction price and the amount of revenue from the sales is adjusted for the effects of a financing component, if significant. The Group concluded that there is a significant financing component considering the length of time between the customers' payment and the transfer of properties to customers and the prevailing interest rates in the market. The transaction price is discounted to take into consideration the significant financing component. The Group recognised contract liabilities for the interest on the advances received from customers with a significant financing component. In addition, reclassifications have been made from advances received from pre-sale of properties to contract liabilities and prepaid card for the outstanding balance of advances from customers.

The statement of financial position as at 1 January 2018 was restated, resulting in recognition of contract liabilities, increase in property under development and decrease in advances received from pre-sale of properties and prepaid card amounting to RMB2,539,497,000, RMB29,772,000, RMB1,251,040,000 and RMB1,258,685,000, respectively.

(b) *Accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract*

Following the adoption of IFRS 15, external sales commissions directly attributable to obtaining a contract, if recoverable, are capitalised as contract assets.

These amendments do not have any impact on the Group's consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment and hedge accounting.

The Group adopted IFRS 9 retrospectively with the initial application date of 1 January 2018. The Group selected not to adjust the comparative information for the period beginning 1 January 2017.

(a) *Classification and measurement*

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available-for-sale.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's financial assets are as follows:

Debt instruments at amortised cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade receivables, other receivables, prepayments and deposits, amount due from the ultimate holding company/immediate holding companies/fellow subsidiaries/joint ventures/associates/non-controlling interests and contract assets.

Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's unquoted equity instruments were classified as available-for-sale investments.

Financial assets at FVPL include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under IAS 39, the Group's debt instruments were classified as financial assets at fair value through profit or loss.

The assessment of the Group's business model was made as of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The statement of financial position as at 1 January 2018 was restated, resulting in a increase in other reserves, deferred tax liability, equity instruments at FVOCI, equity investment at fair value through profit or loss and non-controlling interest of RMB 30,098,000, RMB 16,766,000, RMB65,064,000, RMB2,000,000 and RMB20,200,000, respectively.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39.

(b) *Impairment*

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets (i.e. other non-trade receivables, loans to related parties), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers a financial asset in default when contractual payment are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of IFRS 9 resulted in increases in impairment allowances of the Group's debt financial assets. The increase in allowance resulted in adjustment to Retained earnings.

The statement of financial position as at 1 January 2018 was restated, resulting in decreases in trade receivables and other receivables, deferred tax asset and retained earnings amounting to RMB1,637,000, RMB31,037,000, RMB8,169,000 and RMB24,505,000 , respectively.

3.1. DISAGGREGATION OF REVENUE

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Commissions from concessionaire sales	**1,069,395**	1,054,745
Direct sales	**904,548**	905,088
Rental income from the leasing of shop premises	**339,346**	329,331
Management fee income from the operation of department stores	**377**	1,625
Rental income from investment properties	**195,870**	55,700
Sale of properties	**384,503**	531,526
Others	**78,623**	60,466
	2,972,662	2,938,481

3.2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the nature of their operations and their products and services and has three reportable operating segments as follows:

(a) the operation of department stores segment comprises concessionaire sales, direct sales of merchandise and the leasing out of commercial properties for the operation of department stores to third parties;

(b) the property development segment is principally engaged in the development and sale of commercial and residential properties as well as the leasing out of commercial properties other than for the operation of department stores; and

(c) the "others" segment comprises, principally, operations of hotels and the provision of ancillary services, the provision of advertising services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit attributable to owners of the parent.

Intersegment revenue and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

3.2. OPERATING SEGMENT INFORMATION (continued)

	Operation of department stores *RMB'000*	**Property development** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Period ended 30 June 2018				
Segment revenue:				
Sales to external customers	2,453,332	438,387	80,943	2,972,662
Timing of revenue recognition:				
Goods transferred at a point in time	2,453,332	438,387	80,943	2,972,662
Other income	767,008	8,302	54,479	829,789
Cost of sales	(794,898)	(154,266)	(8,000)	(957,164)
Employee expenses	(251,917)	(17,906)	(31,616)	(301,439)
Depreciation and amortisation	(332,417)	(54,864)	(21,383)	(408,664)
Operating lease rental expenses	(217,181)	(594)	(370)	(218,145)
Other operating expenses	(500,649)	(87,206)	(36,248)	(624,103)
Other gains	7,682	7,663	244	15,589
Operating profit	1,130,960	139,516	38,049	1,308,525
Finance costs	(287,583)	(145,602)	—	(433,185)
Share of profits and losses of associates	10,940	771	—	11,711
Segment profit/(loss) before tax	854,317	(5,315)	38,049	887,051
Income tax expense	(269,175)	(107,869)	(814)	(377,858)
Segment profit/(loss) for the period	585,142	(113,184)	37,235	509,193
Attributable to:				
Owners of the parent	442,888	(100,863)	37,282	379,307
Non-controlling interests	142,254	(12,321)	(47)	129,886
	585,142	(113,184)	37,235	509,193
Other segment information:				
Impairment losses recognised in the income statement	253	—	2,000	2,253
Impairment losses reversed in the income statement	(472)	—	—	(472)
Investments in associates	1,851,856	—	—	1,851,856
Capital expenditure*	73,959	858,215	27	932,201

* Capital expenditure consists of additions to property, plant and equipment, land lease prepayments, investment properties, properties under development and other intangible assets.

3.2. OPERATING SEGMENT INFORMATION (continued)

	Operation of department stores *RMB'000*	Property development *RMB'000*	Others *RMB'000*	Total *RMB'000*
Period ended 30 June 2017				
Segment revenue:				
Sales to external customers	2,290,789	587,226	60,466	2,938,481
Timing of revenue recognition:				
Goods transferred at a point in time	2,290,789	587,226	60,466	2,938,481
Other income	617,925	1,076	23,421	642,422
Cost of sales	(786,612)	(437,046)	(6,575)	(1,230,233)
Employee expenses	(243,906)	(21,569)	(29,037)	(294,512)
Depreciation and amortisation	(360,331)	(51,846)	(23,921)	(436,098)
Operating lease rental expenses	(207,523)	(1,311)	(201)	(209,035)
Other operating expenses	(515,934)	(75,706)	(29,373)	(621,013)
Other gains/(losses)	35,514	(5,957)	621,701	651,258
Operating profit/(loss)	829,922	(5,133)	616,481	1,441,270
Finance costs	(317,896)	(119,869)	(14,673)	(452,438)
Share of profits and losses of associates	14,347	—	—	14,347
Segment profit/(loss) before tax	526,373	(125,002)	601,808	1,003,179
Income tax expense	(236,986)	(65,212)	(96,882)	(399,080)
Segment profit/(loss) for the period	289,387	(190,214)	504,926	604,099
Attributable to:				
Owners of the parent	220,915	(190,214)	505,298	535,999
Non-controlling interests	68,472	—	(372)	68,100
	289,387	(190,214)	504,926	604,099
Other segment information:				
Impairment losses recognised in the income statement	105,216	—	—	105,216
Investments in associates	1,834,326	—	—	1,834,326
Capital expenditure*	42,750	565,040	570	608,360

* Capital expenditure consists of additions to property, plant and equipment, land lease prepayments, investment properties, properties under development and other intangible assets.

4. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Income from suppliers and concessionaires		
- Administration and management fee income	**373,579**	341,364
- Promotion income	**266,468**	180,229
- Credit card handling fees	**91,163**	82,515
Interest income	**35,798**	13,817
Others	**62,781**	24,497
	829,789	642,422

5. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Total interest expense on financial liabilities not at fair value through profit or loss	**563,714**	574,137
Less: Interest capitalised	**(130,529)**	(121,699)
	433,185	452,438

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Group:		
Current — Corporate income tax	**356,151**	356,925
Current — Land appreciation tax	**10,914**	20,891
Deferred	**10,793**	21,264
Total tax charge for the period	**377,858**	399,080

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2018 attributable to ordinary equity holders of the parent of RMB379,307,000 (Six months ended 30 June 2017: RMB535,999,000) and the weighted average number of ordinary shares of 5,140,326,000 (Six months ended 30 June 2017: 5,140,326,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during those periods.

8. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2018	31 December 2017
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Within 90 days	**2,172,312**	2,298,222
91 to 180 days	**177,541**	117,409
181 to 360 days	**18,278**	130,795
Over 360 days	**186,747**	407,065
	2,554,878	2,953,491

The trade payables are non-interest-bearing and are normally settled within 90 days.

9. EVENTS AFTER THE REPORTING PERIOD

On 26 March 2018, the board of directors of Shenzhen Maoye Shangsha Co., Ltd. ("**Maoye Shangsha**"), a wholly-owned subsidiary of the Company, has approved the proposed issue of exchangeable bonds with an aggregate principal amount not exceeding RMB1,100,000,000. The exchangeable bonds may be exchangeable into the shares of Maoye Commercial Co., Ltd. by the holders subject to the terms and conditions thereof. It is expected that the exchangeable bonds will be issued by way of non-public offering in the PRC in two tranches with a maturity of three years, of which the first tranche will not exceed RMB550,000,000 and the second tranche will not exceed RMB550,000,000.

In connection with the proposed issue of the exchangeable bonds, Maoye Shangsha entered into the underwriting agreement with the underwriter on 16 April 2018, pursuant to which the underwriter agreed to underwrite the exchangeable bonds on a best-effort basis.

On 18 July 2018, the Company received the letter of no objection for issue of the exchangeable bonds to qualified investors by Maoye Shangsha from Shanghai Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

MACRO ECONOMY OVERVIEW

In the first half of 2018, the PRC economy maintained an overall stable situation and kept an upward development trend and stable growth, as GDP growth increased by 6.8% on a year-on-year basis, went down 0.1 percentage point as compared to the corresponding period of the previous year. With the continuous optimization of product structure in the consumer market and urban-rural structure, the rapid development of emerging operation and business modes, and the improving demand and supply balance, consumption continued to play the role of a major driving force underpinning economic growth. For the first half of 2018, total retail sales of social consumer goods amounted to RMB18,001.8 billion, representing an increase of 9.4% year-on-year, down 1 percentage point as compared to the corresponding period of the previous year. In particular, online retail sales continued to maintain a faster growth rate, and the nationwide online retail sales for the first half of the year amounted to RMB4,081.0 billion, representing an increase of 30.1% year-on-year but a decrease of 3.3 percentage points year-on-year. Further, online retail sales accounted for 22.7% of the total retail sales of social consumer goods, whereas physical retail sales accounted for 77.3% of the total retail sales of social consumer goods.

According to the data of the China National Commercial Information Centre (全國商業信息中心), during the first half of 2018, retail sales of 100 key large retailing enterprises across the nation in aggregate increased by 1.7% on a year-on-year basis, and the growth rate was 1.4 percentage points lower than the corresponding period of the previous year. Performance of key enterprises in the industry presented a stably increasing trend, and concentration of the top 100 retailers increased stably. On the other hand, with the acceleration of innovation and transformation of the industry, the intergenerational changes and the trend of consumption upgrading became more obvious and the integration of online and offline activities sped up. The sudden rise of social e-commerce and the continued increase in the pan-retail category contributed to the frequent emergence of new retail formats. Technologies promoted the transformation and upgrading of the traditional department store retail industry, which, together with the digital development in terms of customers, commodities, services, marketing, etc., thoroughly promoted the enhancement of operating efficiency of traditional department store retail industry.

OPERATION REVIEW

As at 30 June 2018, the Group operated and managed a total of 60 stores in 19 cities nationwide with total gross floor area of approximately 2.87 million sq.m. of which gross floor area attributable to self-owned properties accounted for 74.8%. Coverage of key cities included Shenzhen and Zhuhai in Guangdong; Chengdu, Nanchong and Mianyang in Sichuan; Chongqing; Wuxi, Taizhou and Nanjing in Jiangsu; Zibo and Heze in Shandong; Qinhuangdao and Baoding in Hebei; Shenyang in Liaoning; Taiyuan in Shanxi; Baotou and Hohhot in Inner Mongolia. As at 30 June 2018, the distribution of stores of the Group was as follows:

	Southern China	**Southwestern China**	**Eastern China**	**Northern China**	**Total**
Number of Stores	6	10	13	31	60
Gross Floor Area (sq.m.)	218,760	358,430	929,715	1,358,965	2,865,870

Notes:

1. Southern China region includes: Shenzhen and Zhuhai.

2. Southwestern China region includes: Chengdu, Mianyang, Chongqing and Nanchong.

3. Eastern China region includes: Zibo, Heze, Nanjing, Taizhou, Wuxi, Yangzhou and Laiwu.

4. Northern China region includes: Baotou, Hohhot, Qinhuangdao, Shenyang, Baoding, Jinzhou and Taiyuan.

During the reporting period, on the basis of proactively capturing the trend of consumption upgrading and changes in the trend of the industry, the Group enhanced the transformation and innovation of its department store business and launched diversified development of four key pillar businesses of department stores, shopping malls, outlets and supermarkets. Centering on consumers' need and driven by data operation, the Group continually optimized the integration of online and offline activities to improve delicacy management, optimize the business solicitation relying on brand and enhance the operation management efficiency of stores so as to quicken the transformation and upgrading towards new retail and continuously increase market influence in the local business district of strategic area.

MAJOR OPERATING HIGHLIGHTS

1. **Achieving outstanding results in Southern China and Inner Mongolia Victory Commercial (Group) Co., Ltd. ("Victory") and recording a significant increase compared with the same period last year**

   Benefiting from the favorable layout in core locations of the Group, the continuous refined operations of the outlets and improving brand strategy, in the first half of 2018, our stores in Southern China recorded sales proceeds and rental income of RMB1,980.3 million, representing an increase of 2.5% compared with that in the same period last year, which consolidated the regional advantage of the Group through deep development.

   Leveraging on the advantages of its resources, well-established management experience, advanced information systems and comprehensive financial share systems, the Group has promoted a continuous and thorough consolidation focusing on operation, finance, staff, information, service and other segments of the stores acquired. In the first half of 2018, Victory has gained an outstanding operating results and recorded operating revenue of RMB2,015.4 million and RMB190.0 million respectively, representing a significant increase of 0.6% and 57.1% respectively compared with that in the same period last year. Our acquired stores saw considerable consolidation effects and maintained its leading market position in Northern China region.

2. **Accelerating the destocking progress of the property business and promoting "Purchase and Leasing" strategy to achieve significant growth in pre-sale proceeds**

   As at 30 June 2018, the Group had several projects under construction and projects for sale in various places, including Taiyuan of Shanxi, Wuxi of Jiangsu, Chengdu of Sichuan, Jinzhou of Liaoning, Chuzhou of Anhui, Qinhuangdao and Baoding of Hebei, and Baotou of Inner Mongolia. The projects covered residential apartments, offices and shop units. Against the backdrop of high level of inventory in the real estate industry and the frequent introduction of home-buying restrictions, the Group put great effort in exploring sales channels for its property business, to accelerate the destocking progress, and proactively promote the "Purchase and Leasing" strategy. Proceeds from pre-sale from property business amounted to RMB1,534.3 million in the first half of 2018, representing a significant increase of approximately 130.1% as compared to that of the previous year. Due to certain contracts not meeting the requirements of recognition of revenue, the sales revenue carried forward to this year was RMB384.5 million, representing a decrease of 27.7% as compared to that of the previous year.

3. **Continuously optimizing the digital life circle of Maoye and realizing the intelligent upgrade of retail**

During the reporting period, the Group still aimed at achieving "digital retail, intelligent businesses". Based on the innovative thinking and operation model of new retail and the business logic of O2O, the Group further optimized the comprehensive digital life circle of Maoye, by fully capitalizing on tools including Express Payment and Collection (快付收銀), Mao Le Hui (茂樂惠) App and applet, CRM membership management system and big data analysis. The Group was committed to achieving cross-system integration to improve efficiency and linkage, gradually realizing the intelligent upgrading of retail:

- The independently developed mini program named Express Payment and Collection (快付收銀) allows direct settlement by recording the products selected by customers through scanning the bar code. Currently, we have 22 outlets promoting and applying it. Since its launch in April 2018, Express Payment and Collection has gained more than 100,000 visitors, which can greatly improve the collection efficiency and reduce the rate of avoidance of payment by customers and labor costs of cashiers. The Group will speed the promotion of such mini program up so as to continuously enhance customers' shopping experience.

- Based on fully tapping the information in the CRM membership management system data, mining and the Group's continuous introduction of new ideas, modeling analysis was performed on consumption behavior. Through processing, analyzing and labeling data from more than 7 million members, the data was converted into operation clues and influence methods, and updating and iteration of solutions were achieved in a short feedback cycle. The methodology for online operation and product management was used for offline operation to promote the integration of online and offline activities to make big data become the key support for operations, achieve precision marketing and improve repurchase rates of members.

- The Group optimized the function setting for "Mao Le Hui" (茂樂惠) by adding additional features of privilege cards holder and bank notes of Wechat, which further facilitate online shopping. By simple steps, online subscription is completed and delivery service will be arranged. New tailor-made features of member points mall and selection for buyers have been introduced. Also, a shopping guide and distribution function was launched by virtue of the nearly seven million members of the Group, offering considerate services to our members. The rapid spread on social platform can be utilized to expand sales channels, increase the adhesiveness of users and improve sales performance. In the first half of 2018, more than 7.30 million visitors and online payment amount of RMB252 million were recorded.

- The "Xiao Hong Mao " (小紅茂) merchant service APP was continuously optimized. On the basis of the original supplier service platform, new functions including sales discount management, online customer support for Express Payment and Collection (快付收銀), supplier data verification function, performance assessment of supplier's employees, and property maintenance were introduced. The number of daily active users reached over 20,000. Electronic means were adopted to improve the management of suppliers and service standards, and the Group was committed to empowering stores and merchants, which can effectively improve the efficiency of store management and sales performance of counters. In the future, it is planned to provide functions including subscription of stores' customer analysis, consumer behavior analysis, and access to targeted customers with additional payment.

4. **Advancing the strategy of transforming department stores into shopping malls to further consolidate the leading position in the strategic regions**

During the reporting period, the Group continued to enhance the strategy of transforming department stores into shopping malls. The building of scene streets with local characteristics and the increase in the proportion of supporting facilities in stores including catering, leisure and entertainment tally with inter-generational change trends of retail industry and can satisfy the demands of consumption upgrading and enhance the customer retention capability of the stores. As at 30 June 2018, the Group completed the projects of transforming 4 stores into shopping malls, including Wuxi Shopping Mall, Victory Times Plaza in Inner Mongolia, Taiyuan Maoye Complex Phase I and Chengdu Maoye Complex. Through proactively promoting business solicitation for store transformation, re-opening outlets and engaging in linkage and coordination with the existing stores in the regions, the Group established a leading position in regional markets.

As the new commercial landmark of the city, Taiyuan Maoye Complex, the first large city complex project in Taiyuan City, has a gross floor area of approximately 246,000 sq.m. and provides shopping, food and beverage, entertainment, culture, education and leisure consumption experience under one roof. Since the commencement of business, the sales, customer traffic flow and rent has increased swiftly. It has become the benchmark enterprise in Taiyuan and even Shanxi Province. Its strong influence in regional markets enables the Group to further consolidate its market position in northern China.

5. **Continuously optimizing the strategy of business solicitation relying on brand to meet the demands of the current mainstream consumers**

The current main consumers in the PRC are those born in the 1990s and 2000s. The single business model is unable to fully satisfy the selection of emerging customers in terms of shopping, leisure and entertainment options in the stores. Leveraging on its nationwide resource advantages, rich business solicitation and operation experience, and the leading market position in strategic regions, the Group, based on specific conditions of each region, dynamically adjusted the brand structure, optimized the strategy of business solicitation relying on brand, and promoted the hierarchical management of stores in terms of brand structure, etc. With "experience + fun + sharing" as the main style of strategy of business solicitation relying on brand, the increase of video game center, leisure book bar, entertainment bar, online popular experience store, beauty makeup store, leisure accessories, children's consumption, etc. creates a more colorful one-stop leisure shopping environment to meet the current intergenerational changes and consumption upgrading trend and improve the ability to attract customers.

6. **Acquisition of 38.24% equity interests in Shenzhen Ugo E-commerce Co., Ltd. ("UGO") to accelerate the transformation and upgrading towards new retail**

On 18 June 2018, the Group acquired 38.24% equity interest in UGO through Maoye Commercial Co., Ltd., a non-wholly-owned subsidiary of the Group.

UGO has extensive operational and management experience in the e-commerce field. Based on application and analysis of big data of module, the establishment of a systematic business data model and BI(business intelligence) model algorithm and the establishment of a standardized product label library allow accurately matching of customer groups, and the reduction of product inventory, enhancing traffic conversion rate and product sales ratio, and emphasizing "fast marketing" and "precision marketing". The further acquisition of equity interests in UGO will enable the Group to leverage on the experience of online operation and new retail from UGO and further open up online and offline sales channels of the Group, thereby improving the profitability of the Company by building precise marketing system with the big data technology employed by UGO.

PERFORMANCE OF MAJOR DEPARTMENT STORES[1]

	Store Name	Total sales proceeds and rental income (RMB'000)	Operation Period[2] (Years)	Gross Floor Area (m^2)
1	Shenzhen Huaqiangbei	874,953	14.7	63,242
2	Guanghua	487,703	8.6	62,498
3	Victoria Commercial Building	457,220	15.2	50,513
4	Victoria International Plaza	405,515	10.5	85,654
5	Shenzhen Dongmen	363,359	21.3	40,979
6	Shenzhen Nanshan	363,240	8.8	44,871
7	Taizhou First Department Store	361,689	8.8	40,358
8	Taiyuan Maoye Complex	320,576	1.6	246,224
9	Chengdu Maoye Complex	311,971	13.1	87,835
10	Victoria Shopping Center	267,596	11.8	60,218
11	Xiandai Shopping Plaza	227,524	8.1	36,897
12	Qinhuangdao Jindu	217,995	9.8	46,610
13	Rendong	216,770	19.8	38,278

Notes:

1 Major department stores are stores with sales proceeds and rental income over RMB200 million in the first half of 2018.

2 Operation period was calculated till 30 June 2018.

OUTLOOK

In the second half of 2018, the Group will continue to maintain a stable and sound development strategy, while focusing on operation scale and enhancing benefits, business innovation and transformation will be strengthened along with the following areas:

Firstly, to keep promoting the opening and development of "Maoye Complex" and establishing a linkage with and supplement for existing outlets, thereby consolidating the leading position of the Group in the region;

Secondly, to keep enhancing the operation efficiency of outlets and accelerate the strategic adjustment of brand introduction and, based on the dynamic adjustment of stores' product layout, category and scale, to cater for consumers' experiential shopping needs, to enhance consumers' experience of purchase and to further improve profit level of stores;

Thirdly, to strengthen its effort in destocking and implement the "Purchase and Leasing" strategy, and establish favorable sales schemes focusing on various projects to promote destocking by full team performing as selling team;

Fourthly, to continue implementing the practice of multi-level cost control and supply chain management to reduce operating costs, and optimize staff structure to improve capacity per capita and asset earnings efficiency and effectiveness;

Fifthly, to continue to promote "Maoye + Internet Construction" and comprehensively put the shopping center CRM system into operation, to achieve marketing linkage, make full use of the big data-driven operation, and deeply tap the potential value of member information to implement precise marketing strategy;

Sixthly, to continuously explore financing channels and proactively explore innovative financial instruments, to establish a multi-channel and comprehensive financing system. The Group will continuously adjust and optimize its debt structure and control financing cost;

Seventhly, to strengthen its effort in the disposal of non-core assets and optimize the cash flow of the Group.

FINANCIAL REVIEW

Total Sales Proceeds and Rental Income

For the six months ended 30 June 2018, total sales proceeds and rental income of the Group were RMB7,878.3 million, representing an increase of 1.3% compared to the same period of 2017. The increase of total sales proceeds and rental income was primarily due to the large increase in the rental. Same-store sales proceeds and rental income were RMB7,847.5 million, representing an increase of 1.0% compared to the same period of 2017.

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Total sales proceeds from concessionaire sales	**6,497,665**	6,541,939
Direct sales	**904,548**	905,088
Rental income	**476,132**	333,622
Total sales proceeds and rental income	**7,878,345**	7,780,649

Among the total sales proceeds and rental income of the Group in the first half of 2018, total sales proceeds derived from concessionaire sales accounted for 82.5%, those derived from direct sales accounted for 11.5%, and those derived from rental income accounted for 6.0%. For the six months ended 30 June 2018, sales proceeds from concessionaire sales were RMB6,497.7 million, representing a decrease of 0.7% compared to the same period in 2017; rental income were RMB476.1 million, representing an increase of 42.7% compared to the same period in 2017.

The total sales proceeds and rental income of the Group in the four regions are set out as follows:

	Total sales proceeds and rental income Six months ended 30 June		**growth of the total sales proceeds and rental income**
	2018	2017	**%**
	RMB'000	*RMB'000*	
Southern China	**1,980,339**	1,931,925	2.5%
Southwestern China	**1,658,988**	1,652,433	0.4%
Eastern China	**1,028,327**	1,041,117	-1.2%
Northern China	**3,210,691**	3,155,174	1.8%
Total	**7,878,345**	7,780,649	1.3%

For the six months ended 30 June 2018, sales of apparels (including men's and ladies' apparels) accounted for 34.0% (first half of 2017: 33.7%), jewelries accounted for 16.5% (first half of 2017: 15.8%), leisure and sports goods accounted for 11.4% (first half of 2017: 11.1%), shoes and leather goods accounted for 8.8% (first half of 2017: 9.6%), cosmetics accounted for 8.5% (first half of 2017: 7.7%), others (including branded merchandise, children's items, bedroom and household goods, home appliances, supermarket and others) accounted for 20.8% (first half of 2017: 22.1%).

For the six months ended 30 June 2018, revenue of the Group amounted to RMB2,972.7 million, representing an increase of 1.2% compared with RMB2,938.5 million for the same period last year. The increase of revenue was mainly because (1) the upgrading and transforming of department stores has achieved a preliminary success with a significant increase in rental; and (2) the revenue derived from the area of Southern China and Shanxi, as well as Victory, recorded a significant increase.

Other Income

For the six months ended 30 June 2018, other income of the Group amounted to RMB829.8 million, representing an increase of 29.2% compared with RMB642.4 million for the same period last year. The increase of the other income was primarily due to the significant increase of revenue deriving from administration and management fee and sales promotion.

Cost of Sales

For the six months ended 30 June 2018, cost of sales of the Group amounted to RMB957.2 million, representing a decrease of 22.2% compared with RMB1,230.2 million for the same period last year. This was primarily because (1) the cost of sales of property segment correspondingly decreased as its sales revenue carried forward decreased, and (2) the structure of revenue and cost of sales has changed due to the preliminary success achieved in the upgrading and transforming of department stores.

Employee Expenses

For the six months ended 30 June 2018, employee expenses of the Group amounted to RMB301.4 million, representing an increase of 2.4% compared with RMB294.5 million for the same period last year, which was mainly due to the increase in employee cost of some department stores.

Depreciation and Amortization

For the six months ended 30 June 2018, depreciation and amortization of the Group amounted to RMB408.7 million, representing a decrease of 6.3% compared with RMB436.1 million for the same period last year, which was primarily due to the transformation into investment property at fair value of Victory Mall City by the end of 2017.

Operating Lease Rental Expenses

For the six months ended 30 June 2018, operating lease rental expenses of the Group amounted to RMB218.1 million, representing an increase of 4.4% compared with RMB209.0 million for the same period last year, which was mainly due to the increase of rental expense of certain department stores compared with that in the same period last year.

Other Operating Expenses

For the six months ended 30 June 2018, other operating expenses of the Group amounted to RMB624.1 million, representing an increase of 0.5% compared with RMB621.0 million in the same period last year. The other operating expenses as percentage of total sales proceeds and rental income decreased to 7.9% compared with 8.0% in the first half of 2017.

Other Gains

For the six months ended 30 June 2018, other gains of the Group was recorded as gain of RMB15.6 million (same period last year: other gains of RMB651.3 million). This was primarily because the Group recorded one-off investment gains from the disposal of part of the equity interest in Maoye Communication and Network Co., Ltd in the first half of 2017, but there is no such gain in the first half of 2018.

Finance Costs

For the six months ended 30 June 2018, finance costs of the Group amounted to RMB433.2 million, representing a decrease of 4.3% compared with RMB452.4 million in the same period last year. This was primarily due to the decrease of the interest-bearing loans.

Income Tax Expense

For the six months ended 30 June 2018, income tax expense of the Group amounted to RMB377.9 million, representing a decrease of 5.3% compared with RMB399.1 million in the same period last year. This was primarily due to the decrease of the profit before tax.

Profit for the six months ended 30 June 2018

As a result of the foregoing, for the six months ended 30 June 2018:

— Profit for the first half of 2018 were RMB509.2 million, representing a decrease of 15.7% as compared with RMB604.1 million for the same period in 2017;

— Without taking into account the effect of non-operating gains and losses*, profit for the first half of 2018 was RMB497.5 million, representing an increase of 330.2% as compared with RMB115.7 million for the same period in 2017.

* *non-operating gains and losses represent the gains and losses in respect of equity investments at fair value through profit or loss, available-for-sale equity investments, investments in subsidiaries and associates, the disposal of property, plant and equipment items, investment properties and land lease prepayments.*

Liquidity and Financial Resources

As at 30 June 2018, the Group's cash and cash equivalents amounted to RMB1,562.6 million, representing an increase by RMB105.8 million compared to RMB1,456.8 million as at 31 December 2017. The main cash inflow and cash outflow are set out as follows:

(1) Net cash inflow of RMB1,376.9 million arising from operating activities;

(2) Net cash inflow of RMB59.7 million arising from investment activities, which mainly includes: 1) payments for properties and equipment amounting to

RMB324.2 million; 2) cash inflow from redemption of available-for-sale equity investments amounting to RMB730.0 million; 3) payments for 20% of the consideration with respect to the acquisition of UGO amounting to RMB43.7 million; 4) payments for increasing equity interest of Maoye Commercial amounting to RMB99.9 million; 5) cash outflow from the profit distribution of Maoye Commercial amounting to RMB47.3 million; and 6) inflow of RMB75.1 million by releasing pledged bank deposits;

(3) Net cash outflow of RMB1,498.2 million arising from financing activities, which mainly includes: 1) net increase in cash inflow arising from bank loans of RMB2,217.0 million; 2) cash outflow arising from repayment of bank loans and other borrowings of RMB3,036.3 million; 3) cash outflow arising from repayment of interest of approximately RMB562.8 million; and 4) cash outflow arising from repayment of borrowings to fellow subsidiaries amounting to RMB116.2 million.

Interest-bearing Loans

As at 30 June 2018, total bank loans, USD senior guarantee notes and corporate bonds of the Group were approximately RMB18,939.4 million (31 December 2017: RMB19,739.0 million). The gearing ratio[1] and net gearing ratio[2] were 38.8% and 117.1%, respectively (31 December 2017: 41.3% and 132.6%, respectively).

1 Gearing ratio = total debt/total assets = (bank loans + corporate bonds)/total assets

2 Net gearing ratio = net debt/equity = (bank loans + corporate bonds -cash and cash equivalents)/equity

Pledge of Assets

As at 30 June 2018, the Group's collateral interest-bearing bank loans amounting to RMB9,048.0 million were secured by the Group's land and buildings, investment properties, land lease prepayments, and properties under development with net carrying amounts of approximately RMB3,250.0 million, RMB5,458.0 million, RMB997.0 million, and RMB445.0 million, respectively.

Foreign Currency Risk

The Company issued USD300 million senior guaranteed notes with term of 364 days in October 2017 which is exposed to the effect of foreign exchange fluctuation risks. During the reporting period, the Group recorded a foreign exchange loss of RMB25.9 million on exchange. Since the business of the Group was mainly focused on mainland China, its operation was not exposed to any foreign exchange fluctuation risks.

INTERIM DIVIDEND

The Board does not recommend to declare an interim dividend for the six months ended 30 June 2018 (Six months ended 30 June 2017: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the six months ended 30 June 2018.

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2018, except for the following deviation:

Code Provision A.2.1

Currently, Mr. Huang Mao Ru ("**Mr. Huang**") is both the Chairman and Chief Executive Officer of the Company. As Mr. Huang is the founder of the Group and has extensive experience in the department store industry and commercial real estate industry, the Board believes that it is in the best interest of the Group to have Mr. Huang taking up both roles for continuous effective management and business development of the Group.

AUDIT COMMITTEE

The Audit Committee, comprising all the independent non-executive directors of the Company, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2018 and discussed with the management on the accounting principles and practices adopted by the Group, risk management and internal control systems and financial reporting matters.

The figures in respect of the Group's unaudited interim condensed consolidated statement of financial position, unaudited interim condensed consolidated statement of profit or loss, unaudited interim condensed consolidated statement of comprehensive income and the related notes thereto for the six months ended 30 June 2018 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's unaudited interim condensed consolidated financial statements for the period. The work performed by the Company's auditors in this respect did not constitute a review engagement in accordance with Hong Kong Standards on Review Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this announcement, based on the information available and to the best of the Board's knowledge, information and belief, the Company has maintained sufficient public float under the Listing Rules and agreed by the Stock Exchange.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement was published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.maoye.cn). The interim report for the six months ended 30 June 2018 containing information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere appreciation to the Company's shareholders, customers, suppliers and staff for their continued support to the Group.

By Order of the Board
Maoye International Holdings Limited
Mr. Huang Mao Ru
Chairman

Hong Kong, 20 August 2018

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Huang Mao Ru, Mr. Zhong Pengyi and Mr. Liu Bo; one non-executive Director, namely, Mr. Wang Bin; and three independent non-executive Directors, namely, Mr. Chow Chan Lum, Mr. Pao Ping Wing and Mr. Leung Hon Chuen.